

Message Text

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ACTION NEA-07

INFO OCT-01 SS-14 ISO-00 EB-03 AGR-03 NEAE-00 SP-02 PM-03

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC NIACT IMMEDIATE 7477

C O N F I D E N T I A L CAIRO 10746

LIMDIS

DEPT PLEASE PASS USDA-KOELLER

EO 11652: GDS

TAGS: EAGR EAID

SUBJECT: PL-480 TITLE I AGREEMENT

REF: CAIRO 10734

1. AS INDICATED REFTEL, CHARGE AND NEGOTIATION TEAM
MET OCT 24 WITH MIN SUPPLY SHAZLI, DR. MAKAWI AND
OTHER MINISTRY OFFICIALS.

2. SHAZLI'S FIRST QUESTION WAS RELATED TO TOTAL
QUANTITY OF WHEAT (ONE MILLION MT VS 500,000 MT).
WE EXPLAINED THAT THE 500,000 MT WAS THE FIRST TRANCHE
AND BALANCE WOULD PROBABLY BE FORTHCOMING ASAP AFTER
WORLDWIDE ALLOCATIONS COMPLETED.

3. MIN ACCEPTED THIS EXPLANATION AND IMMEDIATELY
MOVED TO QUESTION OF QUANTITY OF FLOUR IN PROPOSED
AGREEMENT. HIS OBJECTIONS, HE SAID, WERE RELATED
TO ALLEGED INADEQUATE FLOUR STORAGE CAPACITY AVAILABLE
IN EGYPT DURING TIME PERIOD INVOLVED, TAKING INTO
ACCOUNT EXPECTED IMPORTS OF FLOUR ALREADY
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CONTRACTED FROM THE EEC (200,000 MT). AFTER FULL

DISCUSSION OF THE ISSUES, INCLUDING IMPORTANCE TO US FLOUR MILL-
ING INDUSTRY OF SUCH PL-480 ALLOCATIONS, AS WELL
AS OTHER FACTORS, SHAZLI AGREED THAT GOE WOULD
SEEK TO ADJUST OTHER FLOUR DELIVERY SCHEDULES IN
ORDER TO ACCOMMODATE SHIPMENT OF 125,000 MT OF FLOUR,
ALTHOUGH HE FORESAW CERTAIN DIFFICULTIES IN SO DOING.

4. MINISTER SHAZLI THEN AGREED THAT PROPOSED
AGREEMENT AS REPORTED REFTEL WAS ACCEPTABLE WITHOUT
CHANGE.

5. THERE WAS SUBSEQUENTLY A SHORT DISCUSSION OF THE
TERMS FOR PURCHASING COMMODITIES AND/OR OCEAN
FREIGHT, AND IT WAS AGREED THAT THESE DETAILS WOULD
BE WORKED OUT BETWEEN JACK AND MAKAWI NEXT WEEK.

6. COMMENT: WHILE NOT SO STATED, IT WAS CLEAR
THAT SOURCE OF SHAZLI'S OBJECTION TO QUANTITY OF
WHEAT FLOUR ALLOCATED UNDER THE AGREEMENT WAS GOE
PREFERENCE TO RECEIVE MORE AMERICAN WHEAT IN PLACE
OF FLOUR. HOWEVER, BECAUSE OF QUANTITIES OF OTHER
FLOUR ALREADY CONTRACTED FOR, THERE COULD WELL BE
STORAGE PROBLEM, TOO. FACT THAT PL-480 AGREEMENT
IS TO BE SIGNED DURING SADAT VISIT TO US WAS UNDOUBTEDLY
IMPORTANT FACTOR IN SHAZLI'S PROMPT, THOUGH SOMEWHAT RELUCTANT,
WILLINGNESS TO AGREE TO ACCEPT ENTIRE 125,000 MT,
AFTER FIRST PROPOSING REDUCTION TO 70,000 MT.
IT WAS QUITE CLEAR, THOUGH, THAT NEGOTIATIONS ON
NEXT TRANCH WILL FIND SHAZLI TAKING A MUCH FIRMER
POSITION ON WHEAT FLOUR QUESTION AND POSSIBLY MAY
INCLUDE INTERVENTION ON PART OF FAHMY, AS WAS CASE
LAST YEAR, TO TRY TO KEEP FLOUR QUANTITY DOWN.
MAESTRONE

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